

PUBLIC DISCLOSURE

NOVEMBER 17, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EAST BOSTON SAVINGS BANK

33510

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Division of Banks

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Federal Deposit Insurance Corporation

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<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Federal Deposit Insurance Corporation ("FDIC") and the Massachusetts Division of Banks ("Division") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **EAST BOSTON SAVINGS BANK (the "Bank" and/or "EBSB")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **November 17, 2011**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

INSTITUTION'S CRA RATING

This institution is rated "Satisfactory" by the FDIC and the Division.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

PERFORMANCE TESTS East Boston Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Satisfactory**		X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

**Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term "satisfactory" will be used in lieu of the "low satisfactory" rating for the lending, investment, and service test ratings

LENDING TEST

The Bank's Lending Test performance is rated "High Satisfactory."

- Overall, the Bank's home mortgage and small business lending activity reflects good responsiveness to assessment area credit needs considering the size of the institution and its acquisition of Mt. Washington Co-operative Bank (MWB) during the evaluation period, loan portfolio composition, and significant level of competition within the assessment area.
- An adequate percentage of home mortgage and small business loans were originated within the assessment area.
- The geographic distribution of the Bank's home mortgage and small business loans reflects good dispersion throughout the assessment area, especially in low- and moderate-income geographies, when compared to assessment area's demographics and aggregate lending performance.
- Overall, the borrower distribution of the Bank's loans is adequate. The distribution of home mortgages reflects adequate penetration among borrowers of different income levels, and small business loan distribution reflects excellent penetration of loans to businesses of different sizes.
- The Bank's responsiveness to the credit needs of the assessment area is considered good.
- The Bank made an adequate level of community development loans within its assessment area given its asset size and financial resources.
- The Bank uses innovative and flexible lending programs to meet the credit needs of low- and moderate-income borrowers, first-time homebuyers, and small businesses.

INVESTMENT TEST

The institution's Investment Test performance is rated "Satisfactory."

- The Bank has an adequate level of qualified equity investments. The Bank invested \$7.4 million in Massachusetts Housing Finance Agency (MHFA) bonds. This investment vehicle is designed to benefit the Commonwealth of Massachusetts and also includes the Bank's assessment area. The purpose of this particular investment is to increase the availability of affordable housing throughout Massachusetts.

- The Bank made a significant level of qualified charitable donations to help address a wide variety of community development needs within the designated assessment area. The Bank made a majority of its community development donations through the Meridian Charitable Foundation and the Mt. Washington Charitable Foundation.

SERVICE TEST

The institution's Service Test performance is rated "High Satisfactory."

- The Bank's delivery systems are accessible to all portions of the assessment area.
- Changes in branch locations have improved the accessibility of its delivery systems, particularly in a moderate-income area, due to the acquisition of MWB.
- Overall, the Bank's services and business hours do not vary in a way that would inconvenience any portion of the assessment area.
- The institution provided a relatively high level of community development services. Bank management and employees developed and participated in educational seminars targeted toward low- and moderate-income borrowers and first-time homebuyers. Bank officers and staff members provided their financial expertise to help address community needs through their involvement in various community organizations.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

East Boston Savings Bank is a Massachusetts-chartered, stock savings bank, and a subsidiary of Meridian Interstate Bancorp, Inc., a bank holding company. The Bank's headquarters are located at 10 Meridian Street, East Boston, Massachusetts, and corporate offices are located at 67 Prospect Street in Peabody, Massachusetts. Both of these locations include retail branches, and there are 13 additional full service branches in the following locations: two are in East Boston, two are in Saugus, two are in Revere, and one each in Danvers, Everett, Lynn, Medford, Melrose, Wakefield, and Winthrop. The Danvers, Medford, and a Revere branch are all new since the Bank's previous CRA Evaluation conducted as of January 20, 2009, by the FDIC and the Division.

In 2010, EBSB acquired Mt. Washington Co-operative Bank. The acquisition of MWB increased branch presence by six branches, with locations in South Boston (3), two in Dorchester, and one in Jamaica Plain. In 2011, EBSB opened two more branches under the Mt. Washington brand in West Roxbury and the South End. EBSB also operates a loan center in South Boston and one stand-alone automated teller machine ("ATM") in Dorchester.

EBSB's total assets are \$1.9 billion as of September 30, 2011. Total assets increased 86.4 percent since September 30, 2008, with the acquisition of MWB being the main factor. Loans total approximately \$1.3 billion as of September 30, 2011. Table 1 displays the breakdown of the Bank's loan portfolio by loan type.

Table 1 – Loan Portfolio Distribution as of September 30, 2011		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
Construction and Land Development	97,539	7.8
Revolving Open-end 1-4 Family Residential	64,247	5.1
Closed-end 1-4 Family Residential First Lien	396,780	31.7
Closed-end 1-4 Family Residential Junior Lien	12,172	1.0
Multi-Family (5 or more) Residential	177,755	14.2
Total Residential Loans	748,493	59.8
Commercial Real Estate	463,574	37.0
Total Real Estate Loans	1,212,067	96.8
Commercial and Industrial	35,585	2.8
Other Consumer Revolving Loans	260	0.0
Closed-end Consumer Loans	4,764	0.4
Other	171	0.0
Less unearned income on loans	(83)	(0.0)
Total Loans	1,252,764	100.0
<i>Source: Bank Call Report Data</i>		

As shown in Table 1, the Bank is primarily a residential real estate lender (52.0 percent of total loans, including revolving open-end 1-4 family, closed-end 1-4 family first and junior liens, and multi-family residential). The largest individual portion of the loan portfolio consists of loans secured by 1-4 family residential properties (31.7 percent), with commercial real estate making up the second largest share of the loan portfolio (37.0 percent).

The FDIC assigned a CRA rating of “Satisfactory” and the Division assigned a rating of “High Satisfactory” at the most recent CRA evaluation, conducted as of January 20, 2009. The FDIC’s rating matrix does not provide for an overall “High Satisfactory” rating. There are no apparent financial or legal impediments that would limit the Bank’s ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define a specific assessment area(s) within which they will concentrate their lending efforts. The Division and the FDIC evaluate an institution’s CRA performance within one or more defined assessment areas. Assessment areas are expected to consist of Metropolitan Statistical Areas (MSAs), Metropolitan Divisions (MDs), or contiguous political subdivisions, such as counties, cities, towns, or census tracts. The Bank’s assessment area, as currently defined, meets the technical requirements of the regulation. The area is made up of whole geographies and does not arbitrarily exclude low- or moderate-income areas.

EBSB’s current assessment area includes Boston, Cambridge, Chelsea, Danvers, Everett, Lynn, Lynnfield, Malden, Medford, Melrose, Peabody, Revere, Saugus, Wakefield, and Winthrop. The cities of Boston, Chelsea, Revere and Winthrop are in Suffolk County and are part of the Boston-Quincy, MA MD #14484; Cambridge, Everett, Malden, Medford, Melrose, and Wakefield are in Middlesex County and are part of the Cambridge-Newton-Framingham, MA MD #15764; and Danvers, Lynn, Lynnfield, Peabody, and Saugus are in Essex County and are part of the Peabody, MA MD #37764. All of these MDs comprise the larger Boston-Cambridge-Quincy, MA-NH MSA #14460; therefore, all municipalities are part of this MSA.

Of the communities referenced above, several Boston Proper communities, Chelsea, and Malden were added as a result of EBSB’s acquisition of MWB, which occurred in January 2010. The Bank also added the cities of Cambridge and Danvers to the assessment area since the prior evaluation.

The assessment area encompasses 283 census tracts (geographies), of which 43 are low-, 116 are moderate-, 96 are middle-, and 27 are upper-income. There is also one census tract that does not have an income designation: this tract is 1501.00 in Suffolk County, and encompasses the Boston Harbor Islands National Recreation Area. Low-income census tracts are largely centered in the sub-sections of Boston (34 of 43), with the remaining low-income tracts located in Cambridge, Chelsea and Lynn. A majority of moderate-income census tracts are also located in sections of Boston, with smaller numbers of moderate-income geographies in Cambridge, Chelsea, Everett, Lynn,

Malden, Medford, Peabody, and Revere. It is important to note that the expansion of the Bank's assessment area since the prior evaluation, attributed largely to the MWB acquisition, dramatically increased the concentration of low- and moderate-income geographies. As of January 20, 2009, the assessment area encompassed 77 census tracts, of which only 6 were low-income, and 35 were moderate-income geographies.

Population

According to 2000 United States (U.S.) Census data, the population of the assessment area is almost 1.2 million, which accounts for 18.8 percent of the population of Massachusetts. In terms of population, the Bank's current assessment area reflects an increase of over three times the population of the area as of the prior evaluation when population stood at 368,773. The geographic area in which a majority of population is centered is in the Boston sections of the Bank's assessment area, which as previously noted, were mostly added as a result of the MWB acquisition in January 2010.

The assessment area contains 478,436 households, of which 33.1 percent are low-income; 17.9 percent are moderate-income; 18.0 percent are middle-income; and 31.0 percent are upper-income. A sub-set of low-income households, those with income below the poverty level, constitute a significant portion of total households, at 14.9 percent.

Analyzing the number of families at each income level provides further insight into the demographic composition of the assessment area population. Based on 2000 U.S. Census data, there are 260,553 families in the assessment area, of which 31.0 percent are low-income; 19.8 percent are moderate-income; 21.3 percent are middle-income; and 27.9 percent are upper-income. Additionally, 11.1 percent of total families have incomes below the poverty level. Of total assessment area families, 11.3 percent reside in low-income census tracts, 43.1 percent reside in moderate-income census tracts, 36.8 percent reside in middle-income census tracts, and 8.8 percent reside in upper-income tracts.

Income

Based on the 2000 U.S. Census, the median family income ("MFI") for the assessment area was \$54,914. The Department of Housing and Urban Development ("HUD") publishes annual estimates of the MFI for metropolitan and non-metropolitan areas that are adjusted for inflation and other economic events. The annual HUD-adjusted MFIs for the MDs in which the Bank's assessment area is defined are shown in Table 2. The *Borrower Profile* of the Bank's residential lending is based on these figures.

Table 2 – Median Family Income Data				
		HUD- Adjusted Median Family Income		
		2009	2010	2011
<i>Boston-Quincy, MA MD</i>	#14484	\$83,900	\$85,200	\$87,600
<i>Cambridge-Newton-Framingham, MA MD</i>	#15764	\$97,100	\$98,700	\$105,000
<i>Peabody, MA MD</i>	#37764	\$83,600	\$83,900	\$86,200
Source: 2000 U.S. Census Data				

Housing

The assessment area contains 498,351 housing units, of which less than half, at 40.1 percent are owner-occupied. A majority, or 55.9 percent of housing units are occupied rental units, and 4.0 percent are vacant. The composition of housing units by property type is 64.7 percent 1-4 family, and 35.0 percent multi-family units; the remainder of housing units (less than 0.5 percent) are mobile homes or other units. The median age of housing stock is 54 years; the median housing value, according to 2000 U.S. Census data, is \$218,970; and the median monthly gross rent is \$797. Median housing values vary by county, with \$223,316 for Suffolk County; \$263,274 for Middlesex County; and \$207,469 for Essex County. County level data for year-to-date ("YTD") reflect median sales prices (from *The Warren Group*) of \$343,000, \$368,000, and \$270,500, for each county respectively.

Housing data obtained from *The Warren Group* revealed that the median sales prices for single family homes and condominiums in each municipality of the assessment area varies even more significantly. The data further show that median sales prices generally experienced modest increases between 2009 and 2010, but a combination of increases and decreases in sales prices into YTD 2011. The annual median sales prices from 2009 through 2011 for assessment area cities and towns are shown in the Table 3, below. Table 3 makes reference to certain specific sections of the City of Boston to highlight price differences among different sections.

Table 3 – Median Sales Prices			
City/Town	2009	2010	2011*
Boston**	\$530,000	\$585,000	\$590,000
Cambridge	\$432,500	\$459,000	\$469,000
Chelsea	\$197,500	\$210,000	\$202,200
Danvers	\$306,000	\$301,000	\$307,000
Dorchester	\$197,250	\$221,625	\$240,000
East Boston	\$220,000	\$239,500	\$241,500
Everett	\$240,000	\$250,000	\$235,500
Hyde Park	\$250,110	\$256,000	\$243,000
Jamaica Plain	\$353,000	\$360,000	\$356,000
Lynn	\$178,500	\$181,163	\$175,000
Lynnfield	\$475,000	\$501,550	\$477,450
Malden	\$258,500	\$274,000	\$270,000
Mattapan	\$180,001	\$206,000	\$200,000
Medford	\$325,000	\$338,750	\$328,000
Melrose	\$355,000	\$371,875	\$373,250
Peabody	\$270,000	\$270,000	\$274,000
Revere	\$220,000	\$230,000	\$234,750
Roslindale	\$300,000	\$311,050	\$309,000
Roxbury	\$300,000	\$349,000	\$424,500
Saugus	\$275,000	\$290,000	\$268,500
South Boston	\$353,250	\$379,000	\$390,000
Wakefield	\$359,368	\$362,000	\$376,000
West Roxbury	\$341,000	\$380,000	\$354,500
Winthrop	\$280,000	\$310,000	\$286,000
*Data reflect Year-to-Date through September 2011			
**Excludes sections of Boston listed within Table 3, as well as certain other Boston communities			

In addition to the information shown in Table 3, it is noted that Suffolk County experienced the largest increase in median sales price of the assessment area counties, overall, between 2009 and 2010, at 7.2 percent. The number of sales was relatively flat for the County during this timeframe, with only a 0.1 percent decline. Essex County, in contrast, experienced the largest drop in median sales price from 2009 to 2010, at 7.4 percent. The number of sales, comparing 2010 to 2009 in the County; however, increased by 1.0 percent.

Unemployment

The Massachusetts unemployment rate was 8.2 percent for 2009 and 8.5 percent for 2010, and demonstrated a decreasing trend in 2011 with a preliminary unemployment rate through September of 7.2 percent. Of the three counties in which the Bank defined its assessment area, Essex County had the highest unemployment rate throughout the evaluation period at 8.8 percent in 2009, 8.9 percent in 2010, and a preliminary figure of 7.7 percent through September 2011. Middlesex County had an unemployment rate of 7.0 percent in 2009 and 2010, and decreased to 6.0 percent through September 2011. Suffolk County experienced unemployment rates of 7.8 percent in 2009, 8.1 percent in 2010, and 7.2 percent (preliminary through September 2011). All unemployment figures were obtained through the *Bureau of Labor Statistics*.

Business Demographics

The number of businesses located in the assessment area decreased significantly between 2009 and 2010. According to data obtained from *Dun & Bradstreet*, there were 108,330 non-farm businesses in the assessment area in 2009, while in 2010, this number decreased by 22.5 percent to 83,947. The most dramatic business loss occurred in the assessment area's low- and moderate-income geographies, with decreases of 26.5 percent and 23.4 percent, respectively. As of 2010, the composition of businesses by census tract income level was 16.3 percent in low-income census tracts; 29.2 percent in moderate-income tracts; 33.4 percent in middle-income tracts; and 21.1 percent in upper-income tracts. When 2010 business demographic data were analyzed by size of business, it was revealed that 71.5 percent of non-farm businesses had gross annual revenues ("GARs") of \$1 million or less; 6.0 percent had GARs of greater than \$1 million; and the remaining 22.5 percent did not report GARs. When excluding non-farm businesses that did not report GARs, the composition shifts dramatically to 92.3 percent with GARs of \$1 million or less and only 7.7 percent with GARs over \$1 million. The distribution of businesses, both by census tract income level and by GARs, remained relatively constant between 2009 and 2010.

Community Contact

To help establish additional performance context on community development opportunities and overall economic conditions, two community contacts were conducted with organizations that serve portions of the Bank's assessment area. One of the representatives of an organization interviewed indicated that the overall state of the economy, as well as bank competition for community development loans, has reduced the opportunity for such lending within the assessment area; however, the presence of such projects has increased in the second half of 2011.

In addition, the contact stated that recent U.S. Census data (2010) indicates a significant increase in non-English speaking residents and immigrants. Given this influx, the contact expressed that there is a need for financial education targeted toward the immigrant population. The second contact indicated the needs in the community have grown over the last couple of years. Poverty has increased in Boston's poorest neighborhoods, which has widened the gap between the City's wealthiest and neediest residents. Given the economic conditions, the most basic needs are difficult to come by for many households and families. These range from employment, affordable housing, food programs, and health care.

SCOPE OF EVALUATION

EBSB's total assets exceeded the January 1, 2011 total asset threshold of \$1.122 billion for each of the prior two calendar year ends and, therefore, met the definition of a Large Bank under CRA. Total assets as of December 31, 2009 were \$1.162 billion (prior to the acquisition of MWB); and total assets stood at \$1.810 billion as of December 31, 2010 – the first calendar year-end subsequent to the MWB acquisition. Therefore, the Bank is subject to evaluation using Large Bank procedures, which include the Lending, Investment, and Service tests.

Considering the availability of 2010 aggregate data for both home mortgage lending maintained pursuant to the Home Mortgage Disclosure Act ("HMDA") and CRA small business loans, as well as EBSB's acquisition of MWB in January 2010, the Lending Test will focus primarily on lending activity in 2010 and the first three quarters of ("YTD") 2011. For home mortgage activity attributable to MWB prior to the 2010 acquisition, EBSB opted to report separate HMDA LARs; 2010 reflects the first year for which a combined (EBSB and MWB) LAR was submitted. Unless otherwise noted, "EBSB" or "the Bank" will be used throughout this evaluation to describe EBSB and MWB, combined, from 2010 forward. Activities from 2009 will generally be attributed to either EBSB or MWB individually, as applicable. The Investment and Service Tests evaluate activities since the prior evaluation of January 20, 2009, unless otherwise noted. Examiners evaluated the Bank's CRA performance considering the following eight performance context factors:

- The current economic environment;
- Demographic characteristics of the assessment area;
- Lending and community development opportunities within the assessment area;
- The Bank's financial resources and constraints;
- The Bank's product offerings and business strategy;
- The location of the Bank's branches;
- Information derived from community contacts; and
- The performance of similarly situated institutions.

The Lending Test includes analyses of the Bank's home mortgage and small business lending data for calendar year 2010 and YTD 2011. Information concerning home mortgage lending was derived from the Loan Application Registers ("LARs") maintained by the Bank pursuant to the HMDA. The LARs contain data about home purchase and home improvement loans, including refinancings, of 1-4 family and multi-family (five or more units) properties. Information concerning small business lending was derived from CRA small business loan registers the Bank reports under the CRA. The registers contain information on originated commercial real estate and commercial and industrial loans with original balances of \$1 million or less.

The Bank's lending performance is based primarily on 2010 data, as this is the most recent year for which aggregate data is available. Aggregate lending data used for comparison purposes within the evaluation includes all HMDA and/or small business lenders that originated loans in the Bank's assessment area. Home mortgage and small business lending for YTD 2011 is referenced in the narrative to illustrate trends in

the Bank's lending performance. While the table under *Assessment Area Concentration* presents the Bank's lending activity for all three years analyzed, the tables under *Borrower Profile* and *Geographic Distribution* present lending performance for 2010, given the focus of the analysis on this year.

While home mortgages represent a majority of the Bank's loan portfolio, at 52.0 percent as of September 30, 2011, this product line represents an even more substantial portion of lending activity during the evaluation period. Table 4 illustrates the composition of lending activity by loan type in 2010 and YTD 2011.

Table 4 – Distribution of Lending Activity by Loan Type and Year								
	2010				YTD 2011			
Loan Type	#	% by #	\$(000)	% by \$	#	% by #	\$(000)	% by \$
Home Mortgages	830	90.6	261,099	91.7	475	89.6	191,247	91.2
Small Business Loans	86	9.4	23,709	8.3	55	10.4	18,472	8.8
Totals	916	100.00	284,808	100.00	530	100.00	209,719	100.00
<i>Source: 2010 & YTD 2011 HMDA LARs and Small Business Loan Registers (SBLRs)</i>								

As home mortgages represent 90.6 percent of total reportable lending activity (HMDA and CRA small business) in 2010, and 89.6 percent in 2011, this product line is assigned more weight than small business loans when arriving at overall Lending Test performance conclusions. The Bank did not originate any small farm loans, and consumer loans represent a very small portion of the Bank's loan portfolio. Therefore, neither was subject to further analysis.

Community development loans and innovative and flexible lending, as well investments, donations, and services were analyzed between the previous evaluation date, January 20, 2009, and the current evaluation date of November 17, 2011.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test evaluates the Bank's record of helping to meet the credit needs of its assessment area by considering home mortgage, small business, and community development lending; small farm and consumer lending are not included in this analysis as noted in the *Scope of Evaluation* section. As previously discussed, the emphasis of the Lending Test is on home mortgages and small business loans, as these products reflect the lending focus of the Bank. The institution's lending performance is evaluated pursuant to the following criteria:

- Volume of lending activity or level of lending;
- Proportion of lending within the assessment area;
- Geographic distribution;
- Borrower profile;
- Responsiveness to credit needs of highly disadvantaged areas, individuals, and/or businesses;
- Quality and volume of community development lending; and
- Use of innovative or flexible lending practices.

EBSB is rated "High Satisfactory" in the Lending Test. The following sections address the Bank's performance by Lending Test component throughout the assessment area.

I. Lending Activity

The Bank's lending activity reflects good responsiveness to the credit needs of the assessment area, especially considering the size of the institution, the recent acquisition of MWB, loan portfolio composition, and the significant level of competition within the assessment area. The *Lending Activity* performance factor considers the Bank's lending volume/levels through various factors as discussed below. Examiners analyzed the Bank's loan-to-deposit (LTD) ratio to help determine whether the Bank is lending to a reasonable degree in terms of reinvesting deposited funds back into the community. The average LTD ratio for the preceding 11 quarters subsequent to the January 20, 2009 CRA evaluation, is 82.9 percent. The current ratio, as of September 30, 2011 is 78.8 percent. The Bank's average LTD ratio increased since the prior evaluation.

For the quarter-end immediately preceding EBSB's acquisition of MWB (December 31, 2009), net loans stood at \$814.3 million, while net deposits were \$929.1 million, resulting in the highest LTD ratio during the evaluation period at 87.7 percent. As of March 31, 2010, the quarter-end directly following the acquisition, EBSB reported a net loan increase of 40.9 percent and an increase in net deposits of 44.5 percent since year-end 2009. Considering this significant level of growth, with deposits exceeding loans, the resulting LTD ratio that quarter was 85.4 percent.

Significant loan and deposit growth continued throughout the evaluation period, with net loans of approximately \$1.3 billion and net deposits of \$1.6 billion as of September 30, 2011. As deposit growth outpaced loan growth during the review period, the Bank's net

LTD ratio declined slightly during the prior 11 quarters. When compared to six similarly-focused institutions in terms of loan portfolio composition, size, and geographic location, EBSB's net LTD ratio during the timeframe under review is situated between a low of 48.3 percent and a high of 100.4 percent.

Examiners reviewed the number and dollar volume of loans originated over the review period as well as market share and market ranking figures for primary loan products to determine the Bank's level of lending relative to assessment area credit needs. To gain perspective of the Bank's presence in a community, examiners also reviewed deposit market share data. In 2009, EBSB operated 12 branches in the assessment area, and had \$919.7 million in total deposits accounting for 1.1 percent of total deposit market share. MWB had \$376.7 million in total deposits in the assessment area in 2009, accounting for 0.4 percent of deposit market share. In 2010, the combined entity had total deposits of \$1.4 billion in the assessment area accounting for 1.4 percent of area deposits, and ranking 5th in terms of branch presence. It is noted that the same institutions (Bank of America, N.A. and RBS Citizens, N.A.) ranked 1st and 2nd in 2009 and 2010 in terms of branch presence and total deposits in the assessment area, collectively accounting for around 40.0 percent of the area deposit market each year. The following sections provide detail regarding EBSB's home mortgage and small business market share throughout the assessment area in 2009 and 2010.

Home Mortgage Lending

In calendar year 2009, EBSB (prior to the MWB acquisition) made 470 home mortgages totaling \$166.1 million. The 2009 HMDA data reported separately by EBSB for MWB indicate that MWB made 530 home mortgages totaling \$129.8 million. In 2010, the combined entity reported the origination of 830 home mortgage loans in the amount of \$261.1 million; and, through YTD 2011, the Bank made 475 home mortgages totaling \$191.2 million.

In terms of market share within the designated assessment area in 2009, EBSB originated 338 home mortgages and ranked 27th of 472 institutions reporting at least a single home mortgage origination, while MWB originated 362 home mortgages and ranked 25th. Aggregate lending data for 2010 indicate that the combined entity, reporting a single LAR, ranked 16th of 442 institutions, with 532 home mortgages totaling \$151.7 million in the assessment area. The top five institutions in both 2009 and 2010 were larger regional or national banks and a nationwide mortgage company, which collectively accounted for 31.1 percent and 29.7 percent of total assessment area home mortgages in 2009 and 2010, respectively. Considering the competitive lending environment, EBSB's acquisition of MWB in January 2010, and overall economic climate, the Bank's home mortgage lending volume is good.

Small Business Lending

The Bank ranked fairly consistently in terms of small business loan market share in the assessment area in 2009 and 2010, at 32nd and 33rd, respectively. EBSB's small business loan activity increased from 58 loans totaling \$15.4 million in 2009 to 69 loans totaling \$20.4 million in 2010. Correspondingly, EBSB market share increased from 0.9 percent to 1.2 percent during this timeframe. It is noted that 117 institutions originated at least a

single small business loan in the assessment area in 2010, while two fewer institutions originated small business loans in the area in 2009. Through YTD 2011, EBSB's small business lending activity appears lower than prior years, with 33 loans totaling \$7.8 million. Considering the aforementioned decrease in business presence in the assessment area, as well as the larger focus on residential lending, the Bank's small business lending activity is adequate.

II. Assessment Area Concentration

EBSB made an adequate percentage of its home mortgage and small business loans inside the designated assessment area throughout the evaluation period. The Bank's performance under this criterion is presented below by loan type.

Home Mortgage Lending:

Overall, EBSB made an adequate percentage of loans by number and dollar volume inside the assessment area. Table 5 illustrates the Bank's record of home mortgage lending inside and outside the assessment area in 2009, 2010, and YTD 2011.

Table 5 – Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area										
Year and Loan Purpose	Number of Loans					Dollars in Loans (000)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2009										
Purchase	97	71.9	38	28.2	135	26,476	48.2	28,511	51.9	54,987
Refinance	216	71.1	88	29.0	304	67,659	72.0	26,287	28.0	93,946
Home Improvement	25	80.7	6	19.4	31	15,414	89.8	1,748	10.2	17,162
Total	338	71.9	132	28.1	470	109,549	66.0	56,546	34.0	166,095
2010										
Purchase	212	67.5	102	32.5	314	48,272	57.0	36,458	43.0	84,730
Refinance	286	60.3	188	39.7	474	71,076	50.5	69,719	49.5	140,795
Home Improvement	34	81.0	8	19.1	42	32,379	91.0	3,195	9.0	35,574
Total	532	64.1	298	35.9	830	151,727	58.1	109,372	41.9	261,099
2011 (YTD)										
Purchase	128	63.7	73	36.3	201	37,039	62.2	22,468	37.8	59,507
Refinance	155	63.8	88	36.2	243	72,223	70.5	30,250	29.5	102,473
Home Improvement	22	71.0	9	29.0	31	25,699	87.8	3,568	12.2	29,267
Total	305	64.2	170	35.8	475	134,961	70.6	56,286	29.4	191,247
Grand Total	1,175	66.2	600	33.8	1,775	396,237	64.1	222,204	35.9	618,441

Source: 2009, 2010, YTD 2011 HMDA LARs

Table 5 also shows the composition of loans inside and outside the assessment area by purpose. While there is some variance in the percentages by purpose, the only notable factor is the larger percentage of home improvement loans inside the assessment area consistently throughout the review period. Considering the significant demand for refinance loans in light of the low interest rate environment, it is reasonable that refinance loan applications would be received from a larger geographic base.

Small Business Lending:

EBSB originated an adequate percentage of its small business loans, by number, inside its assessment area throughout the evaluation period. Table 6 illustrates the institution's record of small business lending inside and outside the assessment area in 2009, 2010, and YTD 2011.

Table 6 – Distribution of Small Business Loans Inside and Outside the Assessment Area										
Year	Number of Loans					Dollars in Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
2009	44	68.8	20	31.3	64	9,939	56.2	7,751	43.8	17,690
2010	58	67.4	28	32.6	86	17,520	73.9	6,189	26.1	23,709
YTD 2011	33	60.0	22	40.0	55	7,883	42.7	10,589	57.3	18,472
Total	135	65.9	70	34.2	205	35,342	59.0	24,529	41.0	59,871
<i>Source: 2009, 2010, YTD 2011 Small Business Loan Registers</i>										

The Bank also made a majority of its small business loans, by dollar volume, inside its assessment area in 2009 and 2010; however, the percentage decreased to 42.7 percent through YTD 2011. It is noted that the 2011 percentage by dollar volume is skewed due to a few larger dollar loans (\$665,000 to \$885,000) made just outside the designated assessment area. Given the focus on number of loans rather than dollar volume, this percentage is not a significant concern.

Aggregate small business data are only available for whole counties; therefore, market share reports include all loans made in Suffolk, Middlesex, and Essex Counties in total, as these are the counties in which the Bank has designated its assessment area. These market share reports show that, despite decreases in number of businesses and overall loan volume throughout the area, EBSB ranked 32nd of 115 lenders in 2009 and 33rd of 117 small business lenders in 2010.

III. Geographic Distribution

Overall, the geographic distribution of home mortgage and small business loans reflects good dispersion throughout the assessment area. The focus of this performance factor is to ensure that the Bank is lending throughout its assessment area, is attending to the credit needs of the low- or moderate-income census tracts, and that there are no conspicuous gaps in lending in any particular segments of the assessment area. To evaluate geographic distribution, examiners compared the Bank's distribution of lending in census tracts of different income levels to aggregate data and demographic information, as applicable. The following sections discuss the Bank's performance by loan type.

Home Mortgage Lending

The geographic distribution of the Bank's home mortgage lending reflects good dispersion throughout the assessment area. Table 7 depicts the distribution of the Bank's home mortgages by census tract income level in 2010. For comparison purposes, the distribution of owner-occupied housing units and aggregate performance are also provided.

Table 7 – Distribution of Home Mortgage Loans by Census Tract Income Level				
Census Tract Income Level	% of Owner-Occupied Housing Units	2010 Aggregate Lending Data	2010 Bank Data	
		% of #	#	% of #
Low	4.1	5.0	33	6.2
Moderate	34.1	28.2	177	33.3
Middle	47.9	50.3	286	53.7
Upper	13.9	16.5	36	6.8
Total	100.0	100.0	532	100.0
<i>Source: 2000 U.S. Census, 2010 Aggregate HMDA Data, 2010 EBSB HMDA LAR</i>				

EBSB originated 6.2 percent of its home mortgages in the low-income census tracts of the assessment area in 2010. This performance exceeds both the percentage of owner-occupied housing units located in low-income tracts at 4.1 percent and the aggregate performance of 5.0 percent. Through YTD 2011, the Bank continued its level of lending in low-income geographies, with 18 home mortgages representing 5.9 percent of total mortgages during this timeframe. It is noted that larger percentages of home purchase and home improvement loans, at 8.5 percent and 11.8 percent, respectively, were made in low-income census tracts in 2010 and continued in 2011 at comparable levels. This further reflects the Bank's ability to meet the credit needs of the assessment area's low-income tracts. As refinance loans comprise a majority of home mortgages, the lower percentage bears greater weight on the Bank's overall performance of lending in low-income geographies. Nonetheless, EBSB ranked higher in lending in low-income tracts at 10th in 2010, when compared to its overall market share ranking of 16th.

The Bank made 33.3 percent of its home mortgages in moderate-income census tracts in 2010, which is relatively consistent with the demographic comparison, but exceeds the aggregate data at 28.2 percent. Relatively consistent with 2010 performance, the Bank made 85 loans, or 27.9 percent, within moderate-income tracts in YTD 2011. Similar to its performance of making home purchase loans in low-income census tracts, the Bank also made a larger overall percentage of home purchase loans in moderate-income geographies in 2010 (46.2 percent) and YTD 2011 (30.5 percent). Again, the larger volume of refinance loans, with smaller percentages in moderate-income tracts, had greater impact on the Bank's overall performance of lending in this income level of geography. Furthermore, EBSB exceeded its overall market share ranking of 16th, at 9th in terms of lending in moderate-income geographies.

Small Business Lending

The geographic distribution of the Bank's small business lending reflects good dispersion throughout the assessment area, particularly in moderate-income geographies. Table 8 illustrates the distribution of the Bank's small business loans by census tract income level. Also depicted for comparison purposes are the distribution of businesses and aggregate performance.

Table 8 – Distribution of Small Business Loans by Census Tract Income Level				
Census Tract Income Level	% of Total Businesses	2010 Aggregate Lending Data	2010 Bank Data	
		% of #	#	% of #
Low	16.3	6.1	3	5.2
Moderate	29.2	17.3	28	48.3
Middle	33.4	45.4	25	43.1
Upper	21.1	29.6	2	3.4
N/A	0.0	1.6	0	0.0
Total	100.0	100.0	58	100.0
<i>Source: 2010 Dun & Bradstreet, 2010 Aggregate Lending Data, 2010 EBSB Small Business Loan Register</i>				

The Bank made 3 small business loans, or 5.2 percent, in low-income census tracts in 2010, which is below the percentage of businesses at 16.3 percent, but is only slightly below the aggregate data at 6.1 percent. Through YTD 2011, EBSB's small business loan volume decreased; however, the percentage of loans in low-income census tracts increased to 12.1 percent, or 4 loans. While percentages appear reasonable, it is important to note that each individual loan has large impact on the Bank's performance considering the small number of loans overall. In 2010, EBSB ranked 26th in small business loan market share in low-income tracts, which exceeds its overall small business loan market share ranking of 33rd.

As depicted in Table 8, EBSB originated 48.3 percent of its small business loans within moderate-income geographies in 2010. This performance far exceeds the 29.3 percent of businesses in these census tracts as well as the aggregate data at 17.3 percent. Performance decreased to 30.3 percent of loans in moderate-income census tracts through YTD 2011; however, this percentage slightly exceeds the demographic comparison of 29.2 percent. EBSB also exceeded its overall market share ranking of 33rd, at 23rd in terms of lending in moderate-income geographies.

IV. Borrower Profile

Overall, the distribution of borrowers reflects adequate penetration among home mortgage borrowers of different income levels and businesses of different sizes. Home mortgage conclusions are based primarily on the Bank's performance of lending to low- and moderate-income borrowers relative to other lenders and compared to assessment area demographics. The small business conclusions are based primarily on EBSB's lending activity to businesses with GARs of \$1 million or less, as compared to other

small business lenders and business demographics of the assessment area. As previously mentioned, overall conclusions are impacted most heavily by the Bank's home mortgage lending performance. The following sections discuss the Bank's performance under this criterion by loan type.

Home Mortgage Lending

The distribution of home mortgage loans reflects adequate dispersion among borrowers of different income levels, especially those of low- and moderate-income.

Table 9 details the distribution of loans by borrower income level in 2010 compared to aggregate performance. Aggregate data represents the performance of all other lenders, excluding EBSB. The percentage of families by income level from the 2000 U.S. Census is also included for demographic reference.

Table 9 – Distribution of Home Mortgage Loans by Borrower Income Level				
Borrower Income Level	% of Total Families	2010 Aggregate Lending Data	2010 Bank Data	
		% of #	#	% of #
Low	31.0	5.7	19	3.6
Moderate	19.8	20.4	143	26.9
Middle	21.3	27.0	149	28.0
Upper	27.9	42.5	186	34.9
Income Not Reported/N/A	0.0	4.4	35	6.6
Total	100.0	100.0	532	100.0

Source: 2000 U.S. Census, 2010 Aggregate HMDA Data, 2010 EBSB HMDA LAR

The Bank's level of lending to low-income borrowers, at 3.6 percent in 2010, is significantly lower than the percentage of families at this income level (31.0 percent), and is also below the aggregate data at 5.7 percent. As illustrated in the *Description of Assessment Area* section, a low-income family, depending on geographic location in the assessment area, would have an income of between \$41,950 and \$49,350 or less (represents 50 percent or less of MFI for each MD in which the Bank has defined its assessment area). Of low-income families in the assessment area, approximately one-third have incomes below the poverty level. These figures demonstrate the limited opportunity to lend to low-income families throughout the assessment area.

EBSB's overall percentage of lending to low-income borrowers in YTD 2011, at 4.3 percent, is relatively consistent with 2010 levels. According to 2010 market share data, the Bank ranked 18th in terms of lending to low-income borrowers, which is lower than the overall market rank of 16th. Considering the trend from 2010 into YTD 2011 as well as the demographic data and housing market, the Bank's performance of lending to low-income borrowers is adequate.

EBSB made 26.9 percent of its home mortgages to moderate-income borrowers in 2010, exceeding both the demographic data (19.8 percent) and aggregate performance of 20.4 percent. Demonstrating a declining trend of lending to moderate-income borrowers in YTD 2011, the Bank made 20.7 percent of its loans to borrowers at this income level.

Market share data for 2010 revealed that the Bank ranked 8th in lending to moderate-income borrowers, compared to its overall assessment area market ranking of 16th. With the exception of lower overall volume and percentage of home improvement loans to low- and moderate-income borrowers, no noteworthy trends were identified when analyzing home mortgages by purpose category. Given the small relative number of home improvement loans, this loan purpose has minimal impact on the Bank's overall performance under this factor.

Small Business Lending

EBSB's small business activity in the assessment area reflects excellent penetration among businesses of different sizes, particularly those with GARs of \$1 million or less. Table 10 details the distribution of lending to businesses of different sizes compared to aggregate data and the distribution of businesses by GAR throughout the assessment area.

Table 10 – Distribution of Small Business Loans by Gross Annual Revenue Level				
Business Gross Annual Revenue \$(000)	% of Total Businesses	2010 Aggregate Lending Data	2010 Bank Data	
		% of #	#	% of #
≤ \$1,000	71.5	26.3	48	82.8
> \$1,000 or NA	28.5	73.7	10	17.2
Total	100.0	100.0	58	100.0
<i>Source: 2010 Dun & Bradstreet, 2010 Aggregate Lending Data, 2010 EBSB Small Business Loan Register</i>				

A significant majority, at 82.8 percent, of the Bank's small business loans in 2010, were to businesses with GARs of \$1 million or less. This performance exceeds the percentage of businesses of this size at 71.5 percent and far exceeds the aggregate performance of 26.3 percent. The disparity between the aggregate and Bank performance, can in part, be explained by a significant volume of business credit card lending by larger, nationwide institutions, which often do not perform underwriting that considers GAR information. Therefore, it is reasonable to assume that a significant portion of the aggregate data comprises loans to businesses upon which GAR information was not relied on, rather than to businesses with GARs over \$1 million. While decreasing somewhat in YTD 2011, the Bank still made a high percentage of its small business loans to businesses with GARs of \$1 million or less, at 72.7 percent. Given the significant decrease in small business presence in the assessment area during the evaluation period, the Bank's performance is considered excellent. As small business loans represent a smaller percentage of the Bank's annual lending activity, performance in this loan product bears less weight on the overall conclusion for this criterion than home mortgage lending performance.

It is further noted that the Commonwealth of Massachusetts implemented the *Small Business Banking Partnership* in May 2011, which was created to help banks expand their small business lending activities. Through this initiative, state-reserve funds are deposited into community banks with the expectation that the funds are used for lending to creditworthy small businesses, thus creating jobs throughout the Commonwealth. On November 16, 2011, EBSB announced its participation in this Partnership, indicating that

the Bank received \$3 million in State reserve funds on deposit to expand its small business lending. Participation in this program further demonstrates the Bank's commitment to lending to small businesses throughout its designated assessment area.

V. Responsiveness to Credit Needs of Highly Disadvantaged Areas, Individuals, and/or Businesses

The Bank exhibited a good record of serving the credit needs of the most economically disadvantaged tracts within its assessment area, low-income individuals, and very small businesses, consistent with safe and sound business practices.

VI. Community Development Lending

Community development lending by definition includes loans that have a primary purpose of community development, including affordable housing; services to low- and moderate-income individuals; and activities that promote economic development or that stabilize low- or moderate-income geographies, and have not been reported or collected by the Bank for consideration as a home mortgage, small business, small farm, or consumer loan, unless it is a loan for a multi-family dwelling.

The Bank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution demonstrated in community development lending.

EBSB made an adequate level of community development loans during the evaluation period, demonstrating reasonable responsiveness to the community development credit needs of its designated assessment area. Between January 20, 2009 and November 17, 2011, the Bank made 11 community development loans totaling \$23.3 million, of which a majority was to the direct benefit of the assessment area. Seven of the 11 loans, totaling \$14.1 million, were to 2 area non-profit organizations that provide affordable housing and/or services for low- and moderate-income individuals.

As of the prior evaluation date of January 20, 2009, the Bank made 3 community development loans totaling approximately \$14 million, at which time this dollar amount represented 2.1 percent of total loans; all but 1, for \$3.8 million, was made outside the assessment area. The overall level and concentration of community development lending increased since the prior evaluation and represents 1.9 percent of total loans of approximately \$1.3 billion as of September 30, 2011. The increase in community development lending from the prior evaluation was not as high as the overall growth of the institution at 86.4 percent. A summary of the Bank's community development lending activity is provided below.

In February 2009, EBSB made a \$15 million loan for the purpose of refinance and rehabilitation of a 150-unit apartment building in Winthrop. A total of 56 units, or 37.3 percent, are designated as affordable for low- or moderate-income individuals or families. Based on CRA-related guidance, although the percentage of affordable units does not meet the definition of primary purpose, a *pro rata* share of the loan amount may be qualified; therefore, \$5.6 million qualifies for community development credit, as this represents 37.3 percent of the total loan amount.

In December 2009, the Bank made a \$700,000 loan for the purpose of creating affordable housing for low- and moderate-income individuals and families in Boston. The loan is secured by an 8-unit apartment building, all of which is designated as affordable housing under HUD's Section 8 program.

In August 2010, the Bank made a \$265,000 term loan to a non-profit organization that provides affordable housing to low- and moderate-income individuals. The purpose of the loan was to pay-down (but not refinance) existing debt on one of its affordable, three-unit properties.

In March 2011, the Bank made first and second commercial construction mortgages totaling \$1.5 million for the purpose of developing 27 condominium units, of which 7 (25.9 percent) are designated as affordable housing for low- or moderate-income individuals in Scituate (outside of the Bank's designated assessment area). The project is qualified under Chapter 40B, a Massachusetts statute that enables local zoning boards to approve affordable housing developments under flexible rules if at least 20-25 percent of the units have long-term affordability restrictions. The entire development consists of 40 units, including 10 that include long-term affordability restrictions. In accordance with the previously referenced CRA guidance, \$388,950 (*pro rata* share of 25.9 percent) is qualified as community development.

In April 2011, the Bank made a \$1 million loan to a community development organization for the development of 27 units of affordable housing for low- or moderate-income elderly residents of Winthrop. Additional financing for the project includes sources such as HUD and low-income housing tax credits.

In August 2011, EBSB made a \$3 million construction-to-permanent loan to a non-profit organization that provides medical and community services, primarily to low- and moderate-income individuals. This organization, with its primary medical facility located in Dorchester, had a patient base that was 70.0 percent composed of individuals whose income level was at or below 200 percent of federal poverty guidelines. The facility is located in a moderate-income census tract of Dorchester. This loan is intended to help the organization expand its space and provide more services. It is expected that the expansion would create 22 additional full-time positions, with an additional 55 workers needed for the renovation project.

In October 2011, EBSB extended credit in several different forms to a non-profit agency headquartered in Dorchester, whose mission is to help individuals with disabilities attain self-sufficiency through a variety of programs. A majority of the agency's clients are either low- or moderate-income, or are eligible for the Fiscal Intermediary Program in conjunction with the Executive Office of Health and Human Services/Office of Medicaid. The organization's day habilitation program is funded by the Massachusetts Department of Medical Assistance, and referrals for the supported living program often come through the Massachusetts Rehabilitation Coalition. Credit extended to this agency included a \$1.5 million working capital line of credit; a \$1.5 million term loan to refinance a loan for the purpose of completing rehabilitation work on one of the agency's residential facilities; a \$1.5 million commercial real estate refinance loan; and a \$7.9 million Massachusetts Development Finance Agency (MDFA) Industrial Revenue Bond (IRB). EBSB served as the disbursing agent for the IRB, and the Bank's subsidiary, Prospect, Inc. that engages in securities transactions on its behalf, is the bondholder. The MDFA IRB is structured and underwritten as a loan, and is reported as such by the Bank on its Call Report. Total credit extended to this non-profit corporation during the evaluation period constituted four loans totaling \$12.3 million.

In 2010, EBSB established a non-profit entity, Investment in Affordable Housing, LLC, with Neighborhood of Affordable Housing (NOAH) as 1.0 percent owner in the entity. The intention of this LLC is to invest in affordable housing projects, and included a capital injection of \$500,000 by EBSB. While no lending or investment activity has resulted, it is noted that the Bank has proactively sought opportunities for investment in affordable housing within the assessment area through this LLC.

VII. Innovative or Flexible Lending Practices

This section of the Lending Test includes all innovative and flexible lending programs and activity between January 20, 2009, and November 17, 2011.

The Bank's innovative and flexible lending practices are evaluated pursuant to the following criteria:

- Degree to which lending activity serves low- and moderate-income borrowers or small businesses in innovative ways or assists groups of consumers not previously served by the institution; and,
- The success of each product in serving low- and moderate-income borrowers or small businesses, including the number and dollar volume of loans originated during the examination period.

The Bank uses innovative and flexible lending programs, in a safe and sound manner, to address the credit needs of low- or moderate-income individuals or geographies and small businesses. In total, the Bank made 331 loans for \$62.4 million through flexible residential programs during the evaluation period, a significant portion (250 loans for \$41.6 million) of which was made by MWB in 2009, prior to their acquisition by EBSB.

Several programs were discontinued during the timeframe subject to review. Total number and dollar volume presented above does not include reverse mortgages, discussed below under "Other Programs," since the Bank does not originate those loans. It should also be noted that the various MassHousing programs have been modified and/or consolidated as of this evaluation date; however, all lending activity during the evaluation period was considered. EBSB continues to offer a consumer small dollar loan program for individuals in need of developing their credit histories; 398 loans for \$540,900 were originated during the review period. It is also noted that the Bank recently obtained its designation as an Express and Preferred Lender by the Small Business Administration (SBA). As of the prior evaluation date, the Bank had not offered commercial programs that met the criteria of this performance factor. A summary of the Bank's innovative and flexible lending programs by loan type is provided below.

Residential or Consumer Lending Programs

In-House Programs

The following loan programs are currently offered, or were offered by the Bank during the evaluation period, to address specific credit needs of low- and moderate-income individuals or areas.

Credit Builder

In response to a specific credit need identified within its assessment area, EBSB continues to offer this product, which is designed to help individuals with poor, or non-existent credit, establish a good credit record. The funds borrowed are bank funds deposited into a Credit Builder Savings Account and are held as collateral for the loan. As the loan is paid back, the borrower may withdraw excess funds and leave only the balance required as collateral for the unpaid balance. All repayment history is reported to the credit bureaus, thus establishing a credit history. Loan amounts are between \$1,000 and \$3,000; terms are between 12 and 36 months; and the annual percentage rate is 6 percent. During the evaluation period, the Bank originated 398 loans totaling \$540,900 under this program. Annual volume stood at 138 loans for \$180,000 in 2009 (from January 21, 2009 forward); 133 loans totaling \$173,500 in 2010; and, 127 loans for \$187,400 through November 17, 2011.

EBSB Fixed-Rate Bi-Weekly First-Time Homebuyer Program

This was a fixed-rate mortgage product for first-time homebuyers with bi-weekly payments made through automatic withdrawal from a deposit account offered by EBSB through October 2009. The product was available for the purchase of properties located in Essex, Middlesex, and Suffolk counties. There were no income limitations, and the minimum down-payment was 5 percent for single-family properties, 10 percent for 2-families, and 20 percent for 3-family properties. PMI was required for loan-to-value ratios greater than 80 percent. Borrowers were given the option of paying 0, 1, or 2 points. Maximum housing and debt-to-income ratios were 33 percent / 38 percent for 1-2 family properties and 28 percent / 36 percent for 3-family properties. In 2009, the Bank made 8 loans totaling \$2.3 million.

MWB First-Time Homebuyer/Affordable Housing Programs

Since January 20, 2009, MWB (prior to its acquisition by EBSB) offered adjustable and fixed-rate first-time homebuyer mortgages with flexible terms and conditions. Terms included 30 or 40-year options at discounted interest rates, and no down payment with mortgage insurance through MassHousing. These products included asset and income limitations and were limited to properties in South Boston or Dorchester, a large portion of census tracts within which are low- or moderate-income. Throughout the evaluation period, MWB (both prior to acquisition and subsequent) made 18 loans totaling approximately \$4.0 million under these programs.

Federal Housing Administration (FHA) Program

EBSB (and MWB prior to the acquisition) participates in fixed-rate home mortgage programs through the FHA. These programs offer 100 percent financing of 1-4 family, owner-occupied residences and condominiums to low- and moderate-income homebuyers and have flexible underwriting standards. Since January 2011, EBSB made 15 FHA home mortgages totaling \$4.8 million; including FHA loans originated by MWB prior to the acquisition, the combined entity's FHA lending activity during the evaluation period stood at 30 loans totaling approximately \$9.0 million.

MassHousing Programs

The Bank offered several different loan programs through the Massachusetts Housing Financing Agency (MassHousing) throughout the evaluation period. MassHousing was established as a self-supporting, independent public authority charged with increasing affordable rental and for-sale housing in Massachusetts. The agency lends money at below-market rates to support affordable rental and home ownership opportunities for low- and moderate-income residents of Massachusetts.

MassHousing Mortgage Programs

This program reflects the consolidation of the various MassAdvantage and My Community loan programs offered through MassHousing, as described in the prior evaluation. This program offers borrowers a 30-year fixed rate mortgage at below-market interest rates for the purchase of a condominium or a 1-4 family property. Flexible underwriting guidelines, lower borrower contributions, and mortgage insurance through the Mortgage Insurance Fund (MIF) are all features of this program. Financing up to 97 percent loan-to-value is available. Loans made through various MassHousing Programs during the review period totaled 96 loans for \$23.6 million.

Purchase and Rehabilitation Program

This program was designed to help homebuyers cover the cost of purchasing a home in need of repairs as well as the expense of the rehabilitation of the property. Mortgages are available for up to 97 percent of the purchase price of the home plus the necessary rehabilitation costs, or the estimated value of the home after rehabilitation (whichever is less). During the evaluation period, EBSB made 9 loans totaling \$1.9 million under the Purchase and Rehabilitation Program.

Massachusetts Housing Partnership (MHP) Programs

The Bank offered loans through the MHP, including a first mortgage and a “Soft Second Loan Program,” designed to assist low- and moderate-income first-time homebuyers in qualifying for a home purchase loan without having to obtain private mortgage insurance. Borrowers complete an approved first-time homebuyer course; and there is an owner-occupancy requirement as well. A maximum loan-to-value ratio of 97 percent is generally structured with a first mortgage of 77 percent and a “soft second” mortgage of 20 percent. The second mortgage is flexible in its terms, requiring interest only payments for the first 10 years. Until discontinuing its participation in August 2010, the Bank made a total of 170 first and second mortgages totaling \$21.5 million through these MHP programs.

Small Business Lending Programs

On July 6, 2009, EBSB became an Express Lender as designated by the SBA. Furthermore, the Bank became a Preferred Lender on March 22, 2010. Under the Preferred Lender Program, SBA Lenders are delegated loan approval, closing, and most servicing and liquidation authority, enabling them to process loans more expeditiously. To earn this designation, lenders must establish a successful track record and display a thorough understanding of SBA lending policies and procedures. Currently, EBSB participates in the 7(a) loan guaranty programs, as well as the Express program. The 7(a) loan guaranty program provides loans to small businesses unable to secure financing on reasonable terms through normal lending channels. The SBAExpress program offers accelerated turnaround for loan application review; generally, businesses will receive a response within 36-hours. The SBAExpress program also offers lower interest rates.

Between July 6, 2009 (date of SBA certification) and September 30, 2011, EBSB originated 23 loans totaling approximately \$6.7 million under the various SBA loan programs described above. The composition of loans by year is as follows: 2 loans totaling \$150,000 in 2009; 13 loans totaling \$4.2 million in 2010; and 8 loans totaling \$2.5 million in YTD 2011. A majority of the Bank’s SBA loan volume was under the standard 7(a) loan guaranty program.

Other Loan Programs

City of Boston Financial Assistance Program

The Bank participates in the City of Boston’s Financial Assistance Program, which offers up to 3 percent of the purchase price in down payment assistance for the purchase of a 1-3 family home. Homebuyer counseling is a required component to qualify for this assistance, and buyers must obtain financing through a participating lender. In 2009, MWB made 23 residential loans that included down payment assistance from this program. In 2010, the Bank made 31 loans, and has made 16 loans including this assistance through YTD 2011, all of which are already captured in the narrative above.

Reverse Mortgages

The Bank also offers reverse mortgages by referral of applications to the third party for origination. In addition to accepting the applications, the Bank performs certain services such as gathering applicants' financial information, analyzing their income and debt, and providing education and counseling throughout the process. During the evaluation period, the Bank assisted in the origination of 34 reverse mortgages totaling approximately \$7.4 million through this arrangement.

INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader statewide or regional area that includes the Bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development purposes include those that either: 1) provide affordable housing for low- or moderate- income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; or 4) revitalize or stabilize low- or moderate-income geographies. Activities considered under the Lending or Service Test may not be considered under the Investment Test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors. Per the regulation, qualified investments considered in this evaluation include all those acquired or made since the previous CRA examination as well as those made in prior periods and still held by the institution.

The institution's Investment Test performance is "Satisfactory." The level and complexity of qualified investments are adequate. The Bank's qualified investments have community development purposes that benefit communities throughout the entire assessment area.

Qualified Investments

The amount of the Bank's total qualified investments, commitments and grants is \$8.2 million. This total includes \$7.4 million in new investments and \$832,463 in qualified grants and donations. The volume of investments demonstrates the Bank's commitment to investing in community development initiatives.

New Investments

During 2010 and 2011, EBSB made \$7.4 million in equity investments through MassHousing bonds. MassHousing supports the creation, preservation, and long-term viability of affordable homeownership and rental housing opportunities for Massachusetts residents with modest incomes. The majority of these residents are low- or moderate-income.

Charitable Contributions

Meridian Charitable Foundation

The Meridian Charitable Foundation ("Foundation") was established in 1998 by EBSB to provide funding to support charitable causes and community development activities within the communities the Bank serves. The Foundation was initially funded with \$750,000, followed by a stock transfer in August 2004, which increased the principal base of the Foundation to \$1 million. Most recently, a capital infusion of \$3 million in EBSB stock was made to the Foundation in January 2008. Each year, the interest earned on the principal provides a pool of money to be donated to qualified organizations. Organizations seeking money must be Massachusetts charitable corporations tax-exempt under Section 501(c)(3) of the Internal Revenue Service Code, and they must submit formal grant applications.

The amount of qualified CRA grants through the Foundation totaled \$376,026 during the evaluation period. All these donations are considered qualified for CRA, as they were granted to organizations whose overall missions meet the definition of community development, or the money was targeted to specific programs that have community development purposes.

Mt. Washington Charitable Foundation

In 2002, the Bank established the Mt. Washington Charitable Foundation ("MWCF") to facilitate its charitable contributions. The MWCF focuses on programs involving education, youth, and the arts. The Bank dedicated 10 percent of its annual profits each year to MWCF to help people, organizations, and charities in South Boston, Dorchester, and the surrounding communities.

The amount of qualified CRA grants through MWCF totaled \$295,157 for the evaluation period. All these donations are considered qualified for CRA, as they were granted to organizations whose overall missions meet the definition of community development, or the money was targeted to specific programs that have community development purposes.

East Boston Savings Bank

During the review period, EBSB also made donations to qualified organizations directly through the Bank. Donations made in this manner stood at approximately \$145,930. The composition of qualified donations by year is as follows: \$11,089 in 2009; \$12,031 in 2010; and \$122,810 YTD 2011. The amount donated in 2011 includes a \$102,000 contribution to WORK, Inc. located in a moderate-income census tract of Dorchester.

WORK, Inc. provides employment, day habilitation, residential, and family support services to individuals with physical and/or developmental disabilities. The organization focuses on the provision of services to low- and moderate-income individuals, and receives a majority of its funding through Federal and State programs.

In addition, MWB, a Division of EBSB, made numerous donations through the Bank directly. The Bank made approximately \$15,350 in such donations over the period reviewed. The following section provides an example of the organizations that benefited from the Bank's qualified donation activity.

East Boston Social Centers ("EBSC") – EBSC is a multi-service agency serving culturally diverse families and individuals of all ages, predominantly of low- and moderate-income levels, in East Boston and throughout Greater Boston.

Housing Families – This organization works to end family homelessness and provides safe temporary shelter and quality affordable housing.

Mystic Valley Elder Services ("MVES") – MVES is a 36 year old non-profit agency that fights to support the rights of elders to live independently with dignity in a setting of their own choice by providing information, advice, counseling, and access to quality services and resources. A majority of individuals served by this agency are of low- or moderate-income.

Neighborhood of Affordable Housing ("NOAH") – NOAH is an East Boston-based community development corporation structured to collaborate with and support residents and communities in their pursuit of affordable housing strategies, environmental justice, community planning, leadership development, and economic development opportunities.

South Boston Neighborhood Development Corporation – This organization consists of a group of local residents committed to maintaining South Boston as an affordable, safe, working-class community. This organization was established to increase permanent job opportunities for South Boston residents by encouraging and initiating economic development projects and to participate with South Boston businesses and financial institutions to facilitate the creation of affordable housing opportunities for the area's low- and moderate-income individuals and families.

Project Place – This organization is a supportive community that promotes hope and opportunity for homeless and low-income individuals by providing the skills, education, and resources to obtain stable employment and housing.

Freedom House – This organization is located in the Grove Hall section of Boston and is a community-based social agency. Its mission to promote education excellence, economic self-sufficiency, community engagement, and social justice in order to alleviate poverty in Boston's most distressed urban neighborhoods. The organization primarily benefits low- and moderate-income individuals and families.

SERVICE TEST

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's Service Test performance is rated "High Satisfactory."

The Bank's branches, some with 24-hour drive-up ATMs, are located throughout the assessment area and are easily accessible and convenient. The services and products offered are comparable to local or similarly sized competitors. The institution provided a relatively high level of community development services. These services include educational seminars targeting low- and moderate-income borrowers and first-time homebuyers. The Bank's officers and staff members also helped address community needs through their involvement in various community organizations. The following summarizes the Bank's retail and community development services.

Retail Banking Services

The institution's retail banking services are evaluated pursuant to the following criteria:

- 1) the distribution of the institution's branches among geographies of different income levels;
- 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals;
- 3) the availability and effectiveness of alternate systems for delivering retail banking services; and the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

Accessibility of Delivery Systems

The Bank's delivery systems are accessible to all portions of the assessment area.

Distribution of Branches

EBSB operates 23 full-service branches, 15 under the EBSB name, and 8 under MWB. In addition, the Bank operates a loan center located in South Boston and a loan production office in Lynnfield. Of the 23 branches, one each is in a low-income and upper-income geography, 7 are located in moderate-income geographies, and 14 are in middle-income geographies. The loan center in South Boston is located in a middle-income census tract.

Alternative Delivery Systems

In addition to branch banking, EBSB offers the following alternative delivery systems, which enhance the commercial and retail customer accessibility to services, regardless of their location.

- Automated Teller Machines - The Bank maintains an ATM at each of its 22 branch locations. In addition to standard ATMs, the Bank also maintains 4 free-standing ATMs within its assessment area. The Bank is also a member of the Allpoint ATM Network, offering no surcharges on withdrawals from any participating ATM.
- Debit Cards - EBSB offers the Visa Debit Card. It allows cardholders to pay for purchases at merchant locations that accept Visa and have the funds deducted directly from their EBSB checking account at no charge.
- Telephone Banking - The Bank's 24/7 fully automated system provides a variety of automated banking services. Customers can access account and loan balances, transfer funds between different accounts, request a stop payment, and receive current rate information. In addition to the fully automated system, customer service center representatives are available to assist customers via telephone during normal banking hours.
- Bank by Mail - EBSB offers bank by mail service from anywhere in the U.S. The Bank provides postage paid envelopes to customers who wish to use this service. The Bank also allows accounts to be opened over the telephone with the required documents and disclosures sent via mail.
- On-Line Accounts – EBSB, through its EBSBDirect.com web site, allows customers to open accounts via the internet. These accounts are internet only accounts and generally have a premium rate.
- Internet Website – EBSB's online services are made up of three components that provide customers with 24-hour access to information and their accounts. These include the web site, www.ebsb.com, plus two integrated components; EBSB Online Internet Banking and Online Mortgages Interactive Lender. There is no fee for Consumer Online Banking/Bill Pay.

The Bank's web site provides a comprehensive overview of all EBSB's personal and commercial banking services. The web site continues to be updated with product information as changes occur. Visitors to the site can find out specific information about the accounts and services EBSB offers as well as current interest rates.

EBSB allows customers to bank online using "EBSB Online." Customers can access their accounts and review account balances, recent transaction information, and account history, and they can also transfer funds between accounts.

EBSB offers "Online Mortgages – Interactive Lender," which allows consumers to get a variety of information about mortgages, including rate quotes, and apply for various fixed and adjustable rate mortgages online.

The Bank also maintains a separate website for Mt. Washington customers, www.mtwashingtonbank.com, which offers all of the same services as the EBSB website, under the Mt. Washington name.

Changes in Branch Locations

The Bank's record of opening branches improved the accessibility of its delivery systems.

Since the previous evaluation, the Bank opened five new branches; three EBSB branches and two MWB branches. The Bank opened a full-service branch in a moderate-income census tract in Medford in 2009. In February 2011, the Bank opened its second branch in Revere, which is also in a moderate-income census tract. The Bank's most recent branch opening occurred in Danvers, in a middle-income geography. Both Mt. Washington branches were opened in 2011, including one in a low-income census tract of the South End of Boston. The other is located in an upper-income census tract in West Roxbury.

The Bank did not close any branches during the evaluation period.

Reasonableness of Hours / Services

Services and business hours do not vary in a way that would inconvenience any portion of the assessment area, particularly low- and moderate-income geographies and/or individuals.

The Bank's hours of operation are convenient and comparable to other local area institutions. All branch lobbies open for business between 8:30 a.m. and 9:00 a.m. and offer extended hours at least once per week, and all but 1 of the Bank's 23 branches have Saturday hours. In addition to lobby services, the Bank offers drive-up banking services at 15 branches.

Community Development Services

The institution's community development services are evaluated pursuant to the following criteria:

- 1) the extent of community development services offered and used;
- 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served;
- 3) the degree to which they serve low- and moderate-income areas or individuals; and
- 4) their responsiveness to available opportunities for community development services.

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial expertise. The Bank provided a relatively high level of community development services during the evaluation period.

Director and Officer Involvement

The Bank devotes time and resources to assisting with community development initiatives within its assessment area by having representatives serve in leadership roles in community-based organizations. The following section details a sample of organizations with which Bank Directors or officers are involved.

Boys and Girls Club of Boston – This non-profit organization works to help young people, primarily those of low- or moderate-income, build strong character and realize their full potential as responsible citizens and leaders. The organization provides a safe haven, opportunities for ongoing relationships with caring adults, and different life-enhancing programs. An Assistant Vice President serves on the Advisory Board for a local chapter.

Citizens for Adequate Housing – This non-profit organization operates two homeless shelters on the North Shore and purchases and manages properties for affordable housing. A Vice President serves on the Executive Finance Committee as well as the Board of this organization.

East Boston Economic Development Council (“EBEDC”) – The EBEDC focuses on revitalization of the community and provides education for small businesses in East Boston and surrounding communities. An Executive Vice President of the Bank was an active member of this council during the evaluation period.

East Boston Social Centers – This non-profit organization provides educational, social, and recreational services to meet the needs of children, families, and senior citizens throughout East Boston and surrounding communities. Approximately 80 percent of participants in these programs are low-income. A residential loan officer serves on the Board and Finance Committee of this organization.

Federal Home Loan Bank Boston (“FHLBB”) Affordable Housing Program (“AHP”) – The AHP allows the FHLBB to address, in partnership with member institutions, the affordable housing needs of communities across New England. A portion of the FHLBB’s net earnings funds the program, which awards grants and low-interest advances and loans through member institutions. An Executive Vice President served as the Director of the AHP during the evaluation period.

Fields Corner CDC – This Community Development Corporation (“CDC”) is dedicated to facilitating the availability of housing and promoting economic development in order to enhance the environment for a healthy residential life in the Dorchester area. The organization’s primary focus is the development of affordable rental housing for low- and moderate-income residents. An Assistant Vice President served on the Board of this CDC.

The Massachusetts Coalition for the Homeless – This organization is committed to ensuring that everyone has a place to call home. The Coalition works to address this issue on three fronts: provide bridges over short-term crisis, ensure adequate and appropriate shelter if homelessness is unavoidable, and advocate for long-term solutions to the housing crisis, promoting government support for income and housing resources so that all Massachusetts residents can obtain and maintain safe, affordable housing. A Vice President serves on the Board of Directors.

Massachusetts Housing Finance Agency (“MassHousing”) – This organization is the State's affordable housing bank that lends money at rates below the conventional market to support affordable rental and home ownership opportunities for low- and moderate-income residents of Massachusetts. A Vice President serves on the Lender Advisory Committee for this organization.

Urban Edge – This CDC works in partnership with residents, businesses and governmental institutions committed to developing and sustaining stable, healthy, and diverse communities in Jamaica Plain, Roxbury and surrounding communities in Massachusetts. These communities are largely composed of low- and moderate-income geographies. An Assistant Vice President serves on the Board of Directors for this organization

Educational Seminars

EBSB both conducted and participated in seminars designed to educate consumers about banking and products available to meet their specific needs.

Since the previous CRA evaluation, the Bank continued to devote many hours to planning and participating in seminars that highlight the various aspects of the home buying process. This seminars covered topics such as reverse mortgage and first time homebuyer, which were primarily targeted toward low- and moderate-income individuals.

In 2010 and 2011, the Bank sponsored a non-profit executive seminar series presented by Ducks in a Row Consulting, held at the Bank's Peabody Office. This series was held free of charge for local non-profits and small businesses, covering topics such as marketing and fundraising.

Financial Literacy Initiatives

Money Smart

The Bank continues to offer the FDIC Money Smart Program at the North Shore Community College. The 10-topic program is available in English and Spanish and participants attended five sessions hosted at the college's Danvers and Lynn campuses in 2010.

Other Services

Development of 40B Project

During the prior review period, through a single-purpose limited liability company, the Bank took on the development of a 40B project in Berkley after foreclosing on a loan made to the original developer of the project. To date, the Bank continues to develop the first phase of the project, including 19 units, of which 25 percent are designated as affordable housing for low- or moderate-income individuals.

Interest on Lawyers Trust Accounts (“IOLTAs”)

Under an agreement with the Massachusetts Bar Association, interest paid on these accounts is used to provide legal assistance to low- and moderate-income individuals. Programs funded through IOLTAs in Massachusetts provide legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. Since the prior evaluation, EBSB opened 46 IOLTAs with balances of approximately \$2.3 million.

Electronic Transfer Account (“ETA”)

EBSB continues to provide ETAs for customers who receive a federal benefit, wage, salary, or retirement check and have a derogatory NCPS or ChexSystems report that prevents them from opening a traditional EBSB deposit account or checking account at another financial institution. The account requires direct deposit of the federal funds, but does not require a minimum daily balance or minimum to open. The monthly fee is \$3.00, with four free transactions at EBSB ATMs and unlimited POS transactions per month.

Volunteer Income Tax Assistances Sites (“VITA Sites”)

During the 2011 tax season the Bank had customer service representatives stationed at VITA sites in the City of Boston to open accounts for low- and moderate-income customers with direct deposit so that tax refunds could be directly deposited to their accounts.

Loan Modifications

The Bank has a program to modify customers' home mortgage loans, upon written request from the customer, provided that customer can show a hardship. The Bank generally follows the Home Affordable Modification Program qualification guidelines.

Second Language Capabilities

Bilingual employees are available at many of the branch locations. Languages spoken include Italian, Spanish, French, Mandarin, Portuguese, and Vietnamese. This reflects favorably in terms of workplace diversity and customer service support.

Meeting Space

The Bank has allowed various community organizations to utilize their facilities to hold meetings and functions.

APPENDIX A

Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

FAIR LENDING REVIEW

EBSB's fair lending policy and procedures are comprehensive in nature and address specific areas such as staff training, fair lending procedures, a loan application, and an evaluation process, as well as applicable rules and regulations regarding the Fair Housing Act, Equal Credit Opportunity Act, the Consumer Protection Act, and the Community Reinvestment Act.

All employees are provided with training appropriate to their job descriptions and their responsibilities in fair lending issues.

All loan applications that are slated for denial by the loan officer or underwriter undergo a second review. The second review is applied to all types of loans, including commercial, residential, and consumer.

No violations of the substantive provisions of the Equal Credit Opportunity Act or related laws and regulations were identified during the examination.

MINORITY APPLICATION FLOW

MINORITY APPLICATION FLOW								
RACE	Bank 2010		2010 Aggregate Data		Bank 2011		Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.00	101	0.15	0	0.0	0	0.00
<i>Asian</i>	15	1.77	3,778	5.64	12	2.84	27	2.34
<i>Black/ African American</i>	104	8.94	2,961	4.42	32	7.57	136	11.78
<i>Hawaiian/Pac Isl.</i>	13	1.07	109	0.16	3	0.71	16	1.39
<i>2 or more Minority</i>	1	0.11	27	0.04	0	0.0	1	0.09
<i>Joint Race (White/Minority)</i>	7	0.8	838	1.25	5	1.18	12	1.04
Total Minority	140	12.69	7,814	11.66	52	12.3	192	16.64
<i>White</i>	513	58.09	43,573	65.01	297	70.21	810	70.19
<i>Race Not Available</i>	78	29.22	15,641	23.33	74	17.49	152	13.17
Total	731	100.0	67,028	100.0	423	100.0	1,154	100.0
ETHNICITY								
<i>Hispanic or Latino</i>	33	4.51	2,720	4.06	15	3.55	48	4.16
<i>Not Hispanic or Latino</i>	613	83.86	48,111	71.78	331	78.25	944	81.80
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	6	0.82	606	0.90	3	0.71	9	0.78
<i>Ethnicity Not Available</i>	79	10.81	15,591	23.26	74	17.49	153	13.26
Total	731	100.0	67,028	100.0	423	100.0	1,154	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The purpose of the minority application flow is to assess the number of HMDA-reportable applications the Bank received from minorities within their delineated assessment area. The data analyzed was obtained from the Bank's HMDA/LAR for 2010 and 2011. In addition, the 2010 HMDA/LAR aggregate data was analyzed in order to measure the Bank's performance relative to all other lenders within the assessment area. The Bank's minority application flow for this period was also compared with the racial and ethnic composition of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

As displayed, the Bank's percentage (12.69 percent) of applications received from minorities was slightly above that received (11.66 percent) by the aggregate. The Bank's performance was consistent for 2011 as well. The Bank's performance is considered satisfactory.

APPENDIX B

Loss of Affordable Housing

East Boston Savings Bank's development of credit products with flexible lending criteria, community development lending, and participation in flexible lending programs has assisted low- and moderate-income individuals to remain in their neighborhoods.

APPENDIX C

GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The US Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent US Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX D

INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the US Department of the Treasury and the Internal Revenue Service. The US Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX E

Standard PE Language

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

The institution's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 10 Meridian Street, East Boston, MA 02128."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.